



# Sarah Baartman

DISTRICT MUNICIPALITY

*Province of the Eastern Cape*

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*progress through development*

**SARAH BAARTMAN DISTRICT MUNICIPALITY**

**Financial statements  
for the year ended 30 June 2016**

**SARAH BAARTMAN DISTRICT MUNICIPALITY**

**Financial statements  
for the year ended 30 June 2016**

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# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## General Information

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**Legal form of Entity**

District Municipality (DC10)

**Jurisdiction**

Sarah Baartman District

**Nature of business and principal activities**

Municipal services

**Registered office**

32 Govan Mbeki Ave  
Standard Bank Building  
Port Elizabeth  
6001

**Postal address**

P O Box 318  
Port Elizabeth  
6000

**Mayoral committee**

Executive Mayor  
Councillors

K E Kekana (Ms)  
V M Balura  
N N Pieters (Ms)  
N Vanda (Ms)  
Y P Vara (Ms)  
N J O'Connell

**Accounting Officer**

D M Pillay

**Preparer**

The financial statements were internally compiled by:  
R N Lorgat

**Auditors**

Office of the Auditor-General

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

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### Abbreviations

CDA	Cacadu Development Agency
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Services
SBDM	Sarah Baartman District Municipality
VAT	Value Added Taxation

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Municipality to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the financial year and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the spectrum. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2017 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on page 4 to 67, which have been prepared on the going concern basis, were approved by the Accounting Officer on 15 November 2016 and signed hereunder:



Municipal Manager  
15 November 2016

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Statement of Financial Position as at 30 June 2016

Figures in Rand	Note(s)	2016	2015 Restated
<b>Assets</b>			
Current Assets			
Receivables from exchange transactions	4	1,717,517	1,880,865
Receivables from non-exchange transactions	5	3,353,521	794,208
VAT receivable	6	1,796,404	1,104,065
Deposits paid	7	852,563	15,410
Short-term investments	8	135,000,000	171,000,000
Cash and cash equivalents	9	98,204,591	83,984,956
		<b>240,924,596</b>	<b>258,779,504</b>
Non-Current Assets			
Investment property	10	25,962,500	25,962,500
Property, plant and equipment	11	24,182,520	24,980,718
Intangible assets	12	86,885	86,885
Heritage assets	13	35,028,000	35,028,000
Long-term receivables	14	187,582	182,480
		<b>85,447,487</b>	<b>86,240,583</b>
<b>Total Assets</b>		<b>326,372,083</b>	<b>345,020,087</b>
<b>Liabilities</b>			
Current Liabilities			
Payables from exchange transactions	15	25,518,231	28,907,557
Post employment medical benefit	17	3,848,652	3,897,396
Unspent conditional grants and receipts	16	-	9,013,499
Provisions	18	719,459	414,248
		<b>30,086,342</b>	<b>42,232,700</b>
Non-Current Liabilities			
Long-term portion of infrastructure levies	15	1,022,570	1,022,570
Post employment medical benefit	17	59,093,676	61,490,613
		<b>60,116,246</b>	<b>62,513,183</b>
<b>Total Liabilities</b>		<b>90,202,588</b>	<b>104,745,883</b>
<b>Total assets less liabilities</b>		<b>236,169,495</b>	<b>240,274,204</b>
<b>Net Assets</b>			
Reserves			
Revaluation reserve	19	76,957,915	76,957,915
Accumulated surplus	20	159,211,580	163,316,289
<b>Total Net Assets</b>		<b>236,169,495</b>	<b>240,274,204</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015 Restated
<b>Revenue</b>			
Rental of facilities and equipment	21	1,394,663	1,208,685
Government grants & subsidies	22	95,432,020	89,383,537
		<b>96,826,683</b>	<b>90,592,222</b>
<b>Other income</b>			
Reduction in provision for debt impairment	5	8,154,268	806,679
Actuarial gain on post employment medical benefit	16	4,084,028	-
Fair value adjustments	10	-	365,000
Income from agency services	21	45,797	41,669
Interest income	21	18,054,689	17,261,678
Other revenue	21	646,038	222,912
Impairment reversal	21	-	128,347
		<b>30,984,820</b>	<b>18,826,285</b>
<b>Operating expenses</b>			
Actuarial loss on post employment medical benefit	16	-	(1,261,518)
Bad debts written off		(124,199)	(293,303)
Conditional grant expenditure	23	(12,497,854)	(7,173,355)
Contracted services		(2,863,326)	(3,234,332)
Depreciation	11	(1,731,131)	(1,462,117)
Discounting of post employment medical benefit	16	(5,317,885)	(5,590,491)
Employee costs	24	(45,180,372)	(41,250,102)
Impairment		(34,614)	-
Fines and penalties	48	(433)	(782,229)
General expenses - other	47	(48,000,042)	(39,637,667)
Loss on disposal of assets		(230,428)	(583,551)
Other grants and subsidies paid	23	(15,308,799)	(15,314,525)
Repairs and maintenance		(627,129)	(474,625)
		<b>(131,916,212)</b>	<b>(117,057,815)</b>
<b>Deficit for the year</b>		<b>(4,104,709)</b>	<b>(7,639,308)</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Opening balance as previously reported	76,509,935	174,907,873	251,417,808
Adjustments			
Prior year adjustments (refer to note 28)	(806,986)	(4,178,484)	(4,985,470)
<b>Balance at 01 July 2014 as restated</b>	<b>75,702,949</b>	<b>170,729,389</b>	<b>246,432,338</b>
Changes in net assets			
Revaluation	1,254,966	-	1,254,966
Deficit for the year	-	(7,639,308)	(7,639,308)
Opening balance as previously reported	76,957,915	163,090,081	240,047,996
Adjustments			
Prior year corrections (refer to note 28)	-	226,208	226,208
<b>Balance at 01 July 2015 as restated</b>	<b>76,957,915</b>	<b>163,316,289</b>	<b>240,274,204</b>
Changes in net assets			
Deficit for the year	-	(4,104,709)	(4,104,709)
<b>Balance at 30 June 2016</b>	<b>76,957,915</b>	<b>159,211,580</b>	<b>236,169,495</b>
Note(s)	19	20	



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015 Restated
<b><u>Cash flows from operating activities</u></b>			
<b>Receipts</b>			
Grants		86,418,521	85,540,613
Interest income		18,276,686	16,900,105
Other receipts		6,670,884	1,751,148
		<u>111,366,091</u>	<u>104,191,866</u>
<b>Payments</b>			
Employee costs		(44,875,161)	(41,625,159)
Cash paid to suppliers		(29,669,979)	(21,722,212)
Fines and penalties		(433)	(782,229)
Other payments		(52,566,221)	(33,670,450)
		<u>(127,111,794)</u>	<u>(97,800,050)</u>
<b>Net cash flows from operating activities</b>	<b>29</b>	<b><u>(15,745,703)</u></b>	<b><u>6,391,816</u></b>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	11	(1,403,299)	(1,057,748)
Proceeds from sale of property, plant and equipment	11	205,324	47,499
Increase in deposits paid		(837,153)	-
(Increase) / decrease in long term receivables		(5,102)	49,392
<b>Net cash flows from investing activities</b>		<b><u>(2,040,230)</u></b>	<b><u>(960,857)</u></b>
<b><u>Cash flows from financing activities</u></b>			
Repayment of other financial liabilities	16	(3,994,432)	(3,994,813)
Increase / (decrease) in short-term investments		36,000,000	(46,000,000)
Increase in long-term infrastructure levies		-	71,709
<b>Net cash flows from financing activities</b>		<b><u>32,005,568</u></b>	<b><u>(49,923,104)</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>14,219,635</b>	<b>(44,492,145)</b>
Cash and cash equivalents at the beginning of the year		83,984,956	128,477,101
<b>Cash and cash equivalents at the end of the year</b>	<b>9</b>	<b><u>98,204,591</u></b>	<b><u>83,984,956</u></b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Investment revenue	10,600,000	5,100,000	15,700,000	-	-	15,700,000	18,054,689	-	2,354,689	115 %	170 %
Transfers recognised - operational	91,265,000	5,967,020	97,232,020	-	-	97,232,020	95,432,020	-	(1,800,000)	98 %	105 %
Other own revenue	43,528,300	16,087,800	59,616,100	-	-	59,616,100	14,324,794	-	(45,291,306)	24 %	33 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>145,393,300</b>	<b>27,154,820</b>	<b>172,548,120</b>	<b>-</b>	<b>-</b>	<b>172,548,120</b>	<b>127,811,503</b>	<b>-</b>	<b>(44,736,617)</b>	<b>74 %</b>	<b>88 %</b>
Employee costs	(47,705,300)	1,486,100	(46,219,200)	-	-	(46,219,200)	(38,544,872)	-	7,674,328	83 %	81 %
Remuneration of councillors	(7,024,800)	-	(7,024,800)	-	-	(7,024,800)	(6,635,500)	-	389,300	94 %	94 %
Depreciation and asset impairment	(1,882,000)	-	(1,882,000)	-	-	(1,882,000)	(1,731,131)	-	150,869	92 %	92 %
Transfers and grants	(25,506,000)	(4,697,020)	(30,203,020)	-	-	(30,203,020)	(27,806,653)	-	2,396,367	92 %	109 %
Other expenditure	(63,275,200)	(23,943,900)	(87,219,100)	-	-	(87,219,100)	(57,198,056)	-	30,021,044	66 %	90 %
<b>Total expenditure</b>	<b>(145,393,300)</b>	<b>(27,154,820)</b>	<b>(172,548,120)</b>	<b>-</b>	<b>-</b>	<b>(172,548,120)</b>	<b>(131,916,212)</b>	<b>-</b>	<b>40,631,908</b>	<b>76 %</b>	<b>91 %</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,104,709)</b>	<b>-</b>	<b>(4,104,709)</b>		
<b>Surplus/(Deficit) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,104,709)</b>	<b>-</b>	<b>(4,104,709)</b>		
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	(5,467,000)	(471,500)	(5,938,500)	-	-	(5,938,500)	(1,403,299)	-	4,535,201	24 %	26 %
<b>Sources of capital funds</b>											
Internally generated funds	5,467,000	471,500	5,938,500	-	-	5,938,500	1,403,299	-	(4,535,201)	24 %	26 %

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Cash flows</b>											
Net cash from (used) operating	1,882,000	-	1,882,000	-	-	1,882,000	(15,745,703)		(17,627,703)	-	-
Net cash from (used) investing	(5,467,000)	(471,500)	(5,938,500)	-	-	(5,938,500)	(2,040,230)		3,898,270	34 %	37 %
Net cash from (used) financing	-	-	-	-	-	-	32,005,568		32,005,568	-	-
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(3,585,000)</b>	<b>(471,500)</b>	<b>(4,056,500)</b>	<b>-</b>	<b>-</b>	<b>(4,056,500)</b>	<b>14,219,635</b>		<b>18,276,135</b>	<b>(351)%</b>	<b>(397)%</b>
Cash and cash equivalents at the beginning of the year	226,179,812	-	226,179,812	-	-	226,179,812	83,984,956		(142,194,856)	37 %	37 %
<b>Cash and cash equivalents at year end</b>	<b>222,594,812</b>	<b>(471,500)</b>	<b>222,123,312</b>	<b>-</b>	<b>-</b>	<b>222,123,312</b>	<b>98,204,591</b>		<b>123,918,721</b>	<b>44 %</b>	<b>44 %</b>

Refer to Note 46 for explanations of variances

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### **1. Presentation of financial statements**

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### **1.1 Presentation currency**

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

All figures in the financial statements are rounded up to the nearest Rand.

#### **1.2 Going concern assumption**

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### **1.3 Basis of Preparation**

##### **Statement of compliance**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) and the International Public Sector Accounting Standards (IPSAS), where applicable, in terms of Directive Five including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies have been applied to ensure that the financial statements provide information that is relevant to the decision-making needs of users and are reliable.

##### **Basis of measurement**

The financial statements have been prepared on the accrual basis.

##### **Use of estimates and judgements**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Basis of Preparation (continued)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

Estimates and judgements are made to identify impairments required to be made to assets. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

The useful life of an asset is reviewed annually and management assess the condition and the usefulness of the asset at each reporting date to determine the remaining useful life of the assets.

#### Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

### 1.4 Investment property

#### Initial recognition

Investment property includes land and a building, or part of a building, or both land or buildings held under a finance lease held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

#### Subsequent measurement - fair value model

Investment property is subsequently measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

Revaluation will take place every five years commencing from 1 July 2007. Should the need arise, the valuations would be performed more regularly.

#### Derecognition

Investment property is derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

#### Gains or losses

Gains or losses arising from the derecognition of investment property (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

#### Initial measurement

Property, plant and equipment is initially measured at cost.

The "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's fair value at 1 July 2005 if the asset was acquired prior to this date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

#### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

On acquisition of items of property, plant and equipment, the useful lives are assessed as follows:

<u>Item</u>	<u>Average useful life</u>
Buildings	50
Furniture and fixtures	7 - 15
Motor vehicles	5 - 10
Office equipment	2 - 10
Computer equipment	2 - 10
Bins and containers	5 - 10
Specialised vehicles	5 - 20
Specialised Plant and Equipment	5 - 15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

#### Impairment

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

#### Gains and losses

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.6 Intangible assets

An asset is identifiable as an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost will be measured at fair value at the day of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired, impairment to the asset will be made.

Reassessing the useful life of an intangible asset with a finite useful life, after it was classified as indefinite, is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<u>Item</u>	<u>Useful life</u>
Computer software	indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.7 Investments

The municipality classifies its investments as "Loans and receivables".

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables, receivable within 12 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost if material.

### 1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.3 Heritage assets (continued)

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

### 1.9 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

#### Impairment of financial assets

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

#### Cash and cash equivalents

Cash includes cash on hand and cash held at banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as "Loans and receivables" and are initially measured at cost. Subsequent measurement is at face value or, if material, at amortised value.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Derecognition:

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
  - has transferred substantially all the risks and rewards of the asset, or
  - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

### 1.10 VAT

The municipality accounts for Value Added Tax on the invoice basis.

The municipality is liable to account for VAT at the standard rate (14%) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

VAT is submitted on a monthly basis to SARS.

The net VAT is either classified as "Loans and receivables" or "Financial liabilities at amortised cost".

#### Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost if material.

#### Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.11 Grants, transfers and donations

#### **Unconditional grants and receipts**

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

#### **Conditional grants and receipts**

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

#### Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.13 Segmental information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure in terms of the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices B and C.

The standard is not effective in the current year.

### 1.14 Receivables from exchange and non-exchange transactions

Receivables are classified as "Loans and receivables" and are initially recognized at fair value. Subsequent measurement is at amortised value if material. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified based on an assessment on the recoverability of the receivable. Amounts that are receivable within 12 months from the reporting date are classified as current.

### 1.15 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

### 1.16 Payables from exchange and non-exchange transactions

Payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised value if material.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.17 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefits

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefit contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis, using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Financial Performance.

#### Accrued leave pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

#### Other short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.18 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 31 and 32.

### 1.19 Revenue from exchange transactions

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Income collected on behalf of "principals" is recognised on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the service level agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all the conditions associated with the contribution have been met, or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the conditions, a liability is recognised.

All other revenue is recognised as it accrues.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.20 Revenue from non-exchange transactions

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the cost of the consideration received or receivable.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act no. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

### 1.21 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

### 1.22 Grants-in-aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act 56 of 2003.

When making these transfers, SBDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expected to be repaid in future; or
- Expected a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as an expense in the period with which the events giving rise to the transfer occurred.

### 1.23 Comparative information

When the presentation or classification of items in the annual financial statements is amended, the prior period comparative amounts are restated and the nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

### 1.24 Unauthorised expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of a4n allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act no.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.25 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.26 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, means expenditure incurred by a municipality in contravention of, or that is not in accordance with requirements of the following Acts or Regulation, and which has not been condoned:

- Municipal Finance Management Act
- Municipal Systems Act
- Public Office-Bearers Act
- Municipal Supply Chain Management Regulations or related by-laws

The irregular expenditure excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned / written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.27 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the Statement of Financial Performance.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.28 Events after reporting date

Management conducts an assessment on any events occurring subsequent to the end of the reporting date and prior to the finalisation of the financial statements to identify any incidents that would provide the user with additional information that could influence decision-making and the usefulness of the financial statements. This information is then disclosed accordingly in the financial statements.

### 1.29 Unutilised conditional grants

#### Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as "Financial liabilities at amortised cost".

#### Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

#### Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

### 1.30 Effective interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

### 1.31 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects at the reporting date that will be incurred subsequent to the reporting date. The capital commitment disclosed identifies awards entered into by the municipality against the capital projects as well as a commitment upon approval of a budget for a capital project, where an award has not yet been made.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Accounting Policies

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### 1.32 Budget information

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2015/07/01 to 2016/06/30.

The Statement of comparative and actual information has been included in the financial statements as the recommended disclosure when the financial statements and the budget are on the same basis of accounting as determined by National Treasury.

### 1.33 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

All transactions with related parties are disclosed.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective in the current year

In the current year, the municipality has not adopted any new standards. The following standard and interpretations are however effective for the current financial year and are relevant to its operations:

<u>Standard/ Interpretation:</u>	<u>Effective date: Years beginning on or after</u>	<u>Expected impact:</u>
GRAP 18: Segment reporting	To be determined	The effects on the financial statements is limited as the standard is being implemented. However, the effective date for municipalities is to be determined by the Minister of Finance

### 4. Receivables from exchange transactions

General debtors	-	130,703
Salaries and Wages Debtors	391,383	331,808
Accrued Interest	1,096,145	1,318,142
Accrued Rent	214,457	84,639
Rental	171,321	119,886
Allowance for impairment	(155,789)	(104,313)
	<u>1,717,517</u>	<u>1,880,865</u>

#### Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R - (2015: R 288,630) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

3 to 6 months	-	200
Over 6 months	-	288,430

#### Receivables from exchange transactions impaired

As of 30 June 2016, receivables from exchange transactions of R 155 789 (2015: R 104,313) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	688	12,559
Over 6 months	155,101	91,754

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 5. Receivables from non-exchange transactions

General	3,094,640	317,790
Prepayments	500,000	559,800
Department of Housing (housing scheme)	867,900	9,231,380
Allowance for impairment	(1,109,019)	(9,314,762)
	<b>3,353,521</b>	<b>794,208</b>

The impairment provision was reduced by an amount of R8 154 268 during the current year which relates mainly to the Department of Housing's receivable that was reduced by an amount of R8 363 480 during the current year after receiving consent for the set-off of the conditional grant balance on the Housing Schemes against this receivable. The remaining balance of R867 900 is included in the allowance for impairment.

#### Receivables from non-exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2016, R 166 708 (2015: R 118 264) were past due but not impaired.

The amount of R166 708 is owed by SANRAL for properties disposed of by the municipality. The properties are in the process of being transferred to the purchaser. The municipality would therefore only receive the selling price upon finalisation of the transfer of the properties. No impairment was therefore considered necessary on this debtor.

The ageing of amounts past due but not impaired is as follows:

over 365 days	166,708	118,264
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#### Receivables from non-exchange transactions impaired

As of 30 June 2016, receivables of R 1,109,019 (2015: R 9,314,762) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	228,154	70,417
over 365 days	880,865	9,244,345

### 6. VAT receivable

Value added taxation	1,796,404	1,104,065
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All VAT returns have been submitted by their due dates throughout the year.

VAT is accounted for on the invoice basis. No discounting was performed.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>7. Deposits paid</b>		
Deposits - Electricity	5,000	5,000
Deposits - Post Office	9,000	9,000
Deposits - Parking Grace Street	1,410	1,410
Deposits - Installation of new lifts to the office building	837,153	-
	<b>852,563</b>	<b>15,410</b>

The deposit made for the installation of the new lifts at the municipality's office building was to provide the service provider with surety, as the lifts are being imported.

## 8. Short-term investments

All short-term investments that will mature more than 3 months, but less than 12 months after the reporting date, is classified as short-term investments and do not form part of cash and cash equivalents.

Short-term investments	135,000,000	171,000,000
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## 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,100	6,100
Bank balances	3,198,491	978,856
Short-term deposits	95,000,000	83,000,000
	<b>98,204,591</b>	<b>83,984,956</b>

### Short-term deposits

Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost. All short-term deposits mature within 3 months after the reporting date.

No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest. The fair value of cash and cash equivalents approximates their carrying amounts. No cash deposits were ceded as collateral.

The return on investments for 2016 fluctuated between 6.63% and 7.49%. (2015: 5.56% and 7.49%).

Short-term investments	63,000,000	75,000,000
Call Account Deposits	32,000,000	8,000,000
<b>Total short-term deposits</b>	<b>95,000,000</b>	<b>83,000,000</b>

### Allocation of external investments

#### Investments are allocated on the following basis:

Post employment medical benefit	62,942,328	65,388,009
Unspent Conditional Grants and Receipts	-	9,019,986
Infrastructure projects from Levies	1,612,570	1,612,570
Accrued leave pay	1,728,527	1,626,881
Unappropriated surplus	31,921,166	6,337,510
<b>Total</b>	<b>98,204,591</b>	<b>83,984,956</b>



## SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

### Notes to the Financial Statements

Figures in Rand

#### 9. Cash and cash equivalents (continued)

SBDM has the following bank account

Bank details

ABSA Limited  
32 Govan Mbeki Avenue  
Port Elizabeth  
Current Account (Primary account):  
1640-000-062

	30 June 2016	Bank statement balances 30 June 2015	30 June 2014	30 June 2016	Cash book balances 30 June 2015	30 June 2014
	5,339,466	3,936,350	4,156,995	3,198,491	978,856	1,471,001

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 10. Investment property

	2016		2015	
	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation
Investment property	25,962,500	-	25,962,500	25,962,500
				Carrying value
				25,962,500

### Reconciliation of investment property - 2016

Investment property	Opening balance	Total
	25,962,500	25,962,500

### Reconciliation of investment property - 2015

Investment property	Opening balance	Fair value adjustments	Total
	25,597,500	365,000	25,962,500

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 10. Investment property (continued)

#### Details of valuation

Investment Property was valued at 30 June 2015 on the basis of willing buyer and willing seller determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms by Suid Kaap Waardeers, registered and independent valuers. A register is available for inspection at the Sarah Baartman District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth.

The properties were valued in terms of Valuation Professionalism and the requirements of the Property Professions Act 47 of 2000 with particular reference to sections 45 and 46. In terms of section 45(1), the properties must be valued in accordance with generally recognised valuation practices, methods and standards, and the provisions of this Act. In terms of section 46(1), the market value of a property is the amount the property would have realised if sold on the date of the valuation in the open market by a willing seller to a willing buyer.

In accordance with the accounting policy, the properties are required to be valued every 5 years or more frequently where the need arises. Based on past years revaluations, the movement in the property values were considered insignificant and therefore a valuation was not considered necessary for this financial year.

No operating expenditure was incurred by the municipality on the Investment Properties during the current and previous financial year.

Investment properties are leased mainly to organs of state and the rentals are not market related. The rental revenue received for the year is R15 138 (2015: R17 258).

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 11. Property, plant and equipment

	2016		2015			
	Valuation	Accumulated depreciation and impairment	Carrying value	Valuation	Accumulated depreciation and impairment	Carrying value
Land	4,218,426	(200,000)	4,018,426	4,218,426	(200,000)	4,018,426
Buildings	13,293,977	(3,591,812)	9,702,165	13,215,274	(3,371,774)	9,843,500
Specialised plant and machinery	2,056,774	(1,211,446)	845,328	2,111,198	(1,181,953)	929,245
Furniture and fixtures	2,417,658	(1,120,541)	1,297,117	2,298,474	(1,009,892)	1,288,582
Motor vehicles	8,915,219	(3,893,877)	5,021,342	8,459,721	(3,322,463)	5,137,258
Office equipment	2,501,706	(853,339)	1,648,367	2,396,025	(663,398)	1,732,627
Computer equipment	3,917,093	(2,400,422)	1,516,671	4,171,578	(2,286,434)	1,885,144
Bins and containers	98,988	(48,262)	50,726	98,988	(40,327)	58,661
Specialised vehicles	275,159	(192,781)	82,378	275,159	(187,884)	87,275
Total	37,695,000	(13,512,480)	24,182,520	37,244,843	(12,264,125)	24,980,718

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	4,018,426	-	-	-	-	4,018,426
Buildings	9,843,500	78,704	-	(220,039)	-	9,702,165
Specialised plant and machinery	929,245	-	(213)	(83,704)	-	845,328
Furniture and fixtures	1,288,582	155,858	(9,884)	(130,540)	(6,899)	1,297,117
Motor vehicles	5,137,258	879,677	(350,182)	(645,411)	-	5,021,342
Office equipment	1,732,627	122,869	(3,608)	(185,932)	(17,589)	1,648,367
Computer equipment	1,885,144	166,191	(71,865)	(452,673)	(10,126)	1,516,671
Bins and containers	58,661	-	-	(7,935)	-	50,726
Specialised vehicles	87,275	-	-	(4,897)	-	82,378
	<b>24,980,718</b>	<b>1,403,299</b>	<b>(435,752)</b>	<b>(1,731,131)</b>	<b>(34,614)</b>	<b>24,182,520</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2015

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Impairment loss	Impairment reversal	Total
Land	4,001,426	-	(293,000)	310,000	-	-	-	4,018,426
Buildings.	10,152,677	-	(232,440)	(63,034)	(220,892)	-	207,189	9,843,500
Specialised plant and machinery	1,021,253	-	(2,391)	-	(88,163)	(1,454)	-	929,245
Furniture and fixtures	1,170,228	255,315	(12,172)	-	(123,146)	(1,643)	-	1,288,582
Motor vehicles	5,322,744	431,690	(26,765)	-	(590,411)	-	-	5,137,258
Office equipment	1,746,386	181,945	(20,521)	-	(174,539)	(644)	-	1,732,627
Computer equipment	2,053,841	188,798	(43,761)	-	(252,134)	(61,600)	-	1,885,144
Bins and containers	66,596	-	-	-	(7,935)	-	-	58,661
Specialised vehicles	92,172	-	-	-	(4,897)	-	-	87,275
	<b>25,627,323</b>	<b>1,057,748</b>	<b>(631,050)</b>	<b>246,966</b>	<b>(1,462,117)</b>	<b>(65,341)</b>	<b>207,189</b>	<b>24,980,718</b>

### Revaluations

Land and buildings were valued at 30 June 2015 on the basis of willing buyer and willing seller determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms by Suid Kaap Waardeers, registered and independent valuers. A register is available for inspection at the Sarah Baartman District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth, which includes the methods and significant assumptions applied in estimating the properties' fair values.

The carrying value of properties is measured at fair value as these properties were taken on at fair value and not at cost. The carrying value of these properties, if measured under the cost model, could not be calculated.

In accordance with the accounting policy, the properties are required to be valued with sufficient regularity, such that the carrying amount does not differ materially. Based on past years revaluations, the movement in the property values were considered insignificant and therefore a valuation was not considered necessary for this financial year.

Refer appendix A for more details.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### 11. Property, plant and equipment (continued)

#### Pledged as security

No assets were pledged as security during the current and previous year.

#### Other information

There are no assets on the fixed asset register that are fully depreciated and still in use. All assets that are fully depreciated or impaired are separately located and will be disposed of in terms of a Council resolution.

The fixed asset register is available at the Sarah Baartman District Municipality office for inspection.

### 12. Intangible assets

	2016			2015		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	86,885	-	86,885	86,885	-	86,885

#### Computer software

##### **CQS Software**

CQS Software (Caseware) is used as an aid in the preparation of the annual financial statements. The implementation of the software consist of two components i.e. template and annual licence fees. The template is an once off purchase and has an infinite lifespan. The annual licence fee is required to operate the template and is expensed annually.

##### **Financial System (APPX)**

The financial system was initiated through an annual licence fee with no initial purchase price. The software was then internally developed to meet the financial and other processing and reporting requirements of the municipality. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the cost cannot be measured reliably. The major cost of development of the system was incurred between 1987 and 1989. Subsequently, the major portion of costs to date was incurred for the maintenance of the system.

##### **Performance Management System**

The performance management system was developed internally with the use of a consultant. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the internal cost cannot be measured reliably. The cost of the consultant however amounted to R258 959.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

### 13. Heritage assets

	2016			2015		
	Valuation	Accumulated impairment losses	Carrying value	Valuation	Accumulated impairment losses	Carrying value
Conservation areas	36,668,500	(1,640,500)	35,028,000	36,668,500	(1,640,500)	35,028,000

#### Reconciliation of heritage assets 2016

Conservation areas

	Opening balance	Total
	35,028,000	35,028,000

#### Reconciliation of heritage assets 2015

Conservation areas

	Opening balance	Revaluation	Impairment losses recognised	Total
	34,033,500	1,008,000	(13,500)	35,028,000

#### Heritage assets which fair values cannot be reliably measured

Heritage assets were valued at 30 June 2015 on the basis of willing buyer and willing seller determined directly by reference to observable prices in an active market or recent market transactions on arm's length terms by Suid Kaap Waardeers, registered and independent valuers. A register is available for inspection at the Sarah Baartman District Municipality Head Office in Govan Mbeki Avenue, Port Elizabeth, which includes the methods and significant assumptions applied in estimating the properties' fair values.

In accordance with the accounting policy, the properties are required to be valued with sufficient regularity, such that the carrying amount does not differ materially. Based on past years revaluations, the movement in the property values were considered insignificant and therefore a valuation was not considered necessary for this financial year.

Refer appendix A for more details.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>14. Long-term receivables</b>		
Disciplinary action recoveries	155,696	155,696
Study advances	31,886	26,784
	<b>187,582</b>	<b>182,480</b>

Classified as a financial asset: loans and receivables are subsequently measured at amortised cost.

Study advances relates to amounts paid on behalf of employees to tertiary institutions for the furthering of the employees' development. These advances are repaid monthly, in terms of the agreements with the applicable employees, in the event of the employees not passing their respective modules.

### 15. Payables from exchange transactions

Trade payables	119,528	665,719
Sundry creditors	10,200	25,905
Accrued expenses	13,811,046	11,166,703
Employee costs	66,720	348,623
Payments in advance - Other	3,756	2,601
Unidentified deposits	591	591
Accrued leave pay *	1,728,527	1,626,881
Accrued annual bonus	439,946	-
Infrastructure levies	590,000	590,000
Provincial pensioners	507,611	4,350
Makana Municipality - MIG	8,173,222	14,476,184
Ikwezi Municipality - MIG	67,084	-
	<b>25,518,231</b>	<b>28,907,557</b>

\* Not financial liabilities.

Normal terms of payment is 30 days and no amortisation was calculated.

The carrying amount of financial liabilities approximates their fair value due to their short-term nature.

#### Infrastructure levies

The infrastructure levies included in payables from exchange transactions is short-term in nature and is expected to be utilised within a 12 month period.

The long-term portion of the infrastructure levies is classified under non-current liabilities as the amount is not expected to be utilised within the next 12 months due to uncertainties surrounding the related projects and amounts to R1 022 570 (2015: R1 022 570).

#### Makana Municipality MIG

The municipality received an amount of R23.7 million through the Division of Revenue Act on behalf of Makana Municipality. The grant was transferred to SBDM to ensure proper management of the grant funds in terms of the MFMA and the grant conditions. A Service Level Agreement was entered into between the SBDM and Makana Municipality to manage the proper disbursement of the grant. An application for rollover of the balance was made to National Treasury by the SBDM.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 15. Payables from exchange transactions (continued)

#### Ikwezi Municipality MIG

The municipality received an amount of R3.3 million through the Division of Revenue Act on behalf of Ikwezi Municipality. The grant was transferred to SBDM to ensure proper management of the grant funds in terms of the MFMA and the grant conditions. A Service Level Agreement was entered into between the SBDM and Ikwezi Municipality to manage the proper disbursement of the grant. An application for rollover of the balance was made to National Treasury by the SBDM.

#### Provincial pensioners

When the roadworks, emergency medical services and health function was transferred to Province, the municipality was requested to administer the payments to pensioners as the provincial system could not accommodate past employees. An agreement was entered into between the municipality and Province whereby Province would pay the pensioners' annual amount to the municipality and the municipality administers the monthly payment.

The above arrangement was previously treated as grant receipts and grant expenditure. Refer to Note 28 for prior year correction.

### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

National government grants	-	50,211
Provincial and municipal grants and subsidies	-	8,963,288
	-	<u>9,013,499</u>

See note 49 and 50 for disclosure requirements in terms of section 123 (1) of the MFMA.

A complete list of all conditions are available for viewing at the municipality during office hours.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 17. Post-employment medical benefit

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	65,388,009	62,002,301
Contributions(benefits) paid	(3,994,431)	(3,994,813)
Current service costs	314,893	528,512
Actuarial (gain) / loss	(4,084,028)	1,261,518
Interest costs (discounting)	5,317,885	5,590,491
	<b>62,942,328</b>	<b>65,388,009</b>

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	3,848,652	3,897,396
Later than one year, not later than five years	14,088,357	14,088,653
Later than five years	45,005,319	47,401,960
	<b>62,942,328</b>	<b>65,388,009</b>

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Long-term portion of post-employment medical benefit	(59,093,676)	(61,490,613)
Short-term portion of post-employment medical benefit	(3,848,652)	(3,897,396)
	<b>(62,942,328)</b>	<b>(65,388,009)</b>

Long-term portion of post-employment medical benefit	(59,093,676)	(61,490,613)
Short-term portion of post-employment medical benefit	(3,848,652)	(3,897,396)
	<b>(62,942,328)</b>	<b>(65,388,009)</b>

The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:

Financial period 2011/2012	58,049,255
Financial period 2012/2013	63,481,921
Financial period 2013/2014	62,002,301
Financial period 2014/2015	65,388,009
Financial period 2015/2016	62,942,328

#### Accumulative actuarial gains and losses

Balance at the beginning of the year	(12,862,406)	(11,600,888)
Projected during the year	4,084,028	(1,261,518)
	<b>(8,778,378)</b>	<b>(12,862,406)</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 17. Post-employment medical benefit (continued)

#### Post Retirement fund benefits

Employees and council contribute to Cape Joint Retirement Fund on the basis of a fixed contribution, which is charged against income as incurred.

The municipality's net obligation in respect of post employment medical benefits was calculated by ARCH Actuarial Consulting as at 30 June 2016 and 30 June 2015. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses.

84 Principle members are currently covered by the fund (2015 : 88 members).

#### Valuation method

##### *Pre-retirement benefits*

The death in-service benefit is regarded as a post-employment liability under the requirements of IAS 19.

##### *Post-retirement benefits*

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to the total potential service until the expected retirement date. The future-service liability is the difference between the total liability and the past-service liability.

##### *Accrued defined benefit obligation*

The accrued liability is the value of the employer's share of the contribution - based liability.

##### *Current service cost*

The current service cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

#### Value assumptions

##### *Rate of interest*

Medical aid inflation rate 8.03% p.a.

Investment return 8.89% p.a.

The discount rate was deduced from the yield curve obtained from the Bond Exchange of South Africa after the market close on 30 June 2016. The corresponding index-linked yield at this term was 1.74% using the discount rate of 8.89% per annum.

A Health Care Cost inflation rate of 8.03% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 6.53%. A larger differential will be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 0.79%. The expected inflation assumption of 6.53% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (1.74%) and those of fixed interest bonds (8.89%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

The next contribution increase was assumed to occur with effect from 1 January 2017.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### **17. Post-employment medical benefit (continued)**

#### *Mortality rates*

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table rated down by three years for females and on the PA (90) ultimate table, adjusted downwards by one year of age.

#### *Normal retirement age*

The Normal Retirement Ages for the municipality are 65 years for employees. An average retirement age of 63 years for males and 60 years for females has been assumed which allows for expected rates of early and ill-health retirement.

#### *Family profile*

It was assumed that 90% of those in-service members who remain on the health care arrangements will be married at retirement. Further, it has been assumed that in-service husbands will be three years older than their wives. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

#### *Withdrawals*

Where an in-service member leaves, the employer's liability in respect of the employee ceases and caution was taken in not overstating the withdrawal rates. The assumed rates are as follows:

Age	Females	Males
20	24%	16%
30	18%	12%
40	10%	8%
50	4%	4%
>55	2%	2%

#### *Medical aid contributions at retirement*

It is assumed that all the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand 2016 2015

### 18. Provisions

#### Reconciliation of provisions - 2016

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	212,783	236,542	(203,026)	(9,757)	236,542
Long service bonus	201,465	482,917	(76,652)	(124,813)	482,917
<b>Balance at end of year</b>	<b>414,248</b>	<b>719,459</b>	<b>(279,678)</b>	<b>(134,570)</b>	<b>719,459</b>

#### Reconciliation of provisions - 2015

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	199,965	212,783	(116,696)	(83,269)	212,783
Long service bonus	589,340	201,465	(507,133)	(82,207)	201,465
<b></b>	<b>789,305</b>	<b>414,248</b>	<b>(623,829)</b>	<b>(165,476)</b>	<b>414,248</b>

#### Performance bonus provision

Performance bonuses are calculated based on performance agreements, which are linked to key performance indicators determined in the Service Delivery and Budget Implementation Plan. Bonuses are expected to be paid during the following financial year dependent on the outcome of the performance reviews and council approval.

#### Long service bonus provision

Long service bonuses are calculated based on SALGA regulations. These bonuses are payable in the financial year in which the employees reach the required number of years of service.

### 19. Revaluation Reserve

Land and Buildings were valued at 30 June 2015 using the income capitalisation, comparable sales of sectional title office developments and comparable sales methods by Suid Kaap Waardeerders, a registered and independent valuator.

The revaluation surplus is reconciled as follows:

Balance at beginning of the year	76,957,915	75,702,949
Revaluation on property, plant and equipment during the year (refer to Note 11)	-	246,966
Revaluation on heritage assets during the year (refer to Note 13)	-	1,008,000
<b>Balance at the end of the year</b>	<b>76,957,915</b>	<b>76,957,915</b>

Refer to Note 28 for Restatement of prior year figures.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>20. <u>Accumulated surplus</u></b>		
<u>The accumulated surplus is reserved for the following purpose:</u>		
General	159,211,580	163,316,289
<u>The cash backed portion of the accumulated surplus is ring fenced for the following purpose:</u>		
General	144,211,580	138,897,214
Allowance for impairment	-	9,419,075
Restructuring grant funds allocated to surplus	15,000,000	15,000,000
	<b>159,211,580</b>	<b>163,316,289</b>
<b>21. <u>Total Revenue - includes</u></b>		
<u>Other revenue:</u>		
Settlement discount received	25,000	27,990
Contribution from skills development fund	61,429	64,061
Job evaluation fees	500,035	-
Infrastructure projects funded from infrastructure contingency fund	-	103,336
Tender deposits	20,746	11,790
Other	38,828	15,735
Total other revenue	<b>646,038</b>	<b>222,912</b>
Revenue from exchange transactions		
Rental	1,394,663	1,208,685
Interest income	18,054,689	17,261,678
Income from agency services	45,797	41,669
Total revenue from exchange transactions (excl VAT)	<b>19,495,149</b>	<b>18,512,032</b>
Revenue from non exchange transactions		
Government grants and subsidies	95,432,020	89,383,537
Fair value gain on revaluation of investment property	-	365,000
Reduction in provision for debt impairment	8,154,268	806,679
Actuarial gain on post employment medical benefit	4,084,028	-
Impairment reversal	-	128,347
Other revenue	646,038	222,912
Total revenue from non exchange transactions	<b>108,316,354</b>	<b>90,906,475</b>
Total revenue from exchange and non exchange transactions	<b>127,811,503</b>	<b>109,418,507</b>
Revenue	96,826,683	90,592,222
Other income	30,984,820	18,826,285
Total revenue from exchange and non exchange transactions	<b>127,811,503</b>	<b>109,418,507</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 22. Government grants and subsidies

Equitable share	80,759,000	80,008,000
Grant funding - expenditure reimbursement	14,673,020	9,375,537
	<b>95,432,020</b>	<b>89,383,537</b>

#### Equitable Share

In terms of the Constitution, this grant is used to finance the operations of the institution.

#### DORA

Current-year receipts	5,523,000	5,530,000
Conditions met - transferred to revenue	(5,523,000)	(5,530,000)
<b>Total Government Grants</b>	<b>-</b>	<b>-</b>

The following conditional grants were received through the DORA allocations during the financial year:

R1 250 000 - Finance Management Grant (FMG)  
R 940 000 - Municipal Systems Improvement Grant (MSIG)  
R1 133 000 - Expanded Public Works Programme Grant (EPWPG)  
R2 200 000 - Rural Roads Asset Management Grant

The conditions of the above grants has been met and the full amounts were transferred to revenue during the year.

### 23. Conditional grants expenditure and other grants and subsidies paid

Under conditional grant expenditure	12,497,854	7,173,355
Under employee costs	491,603	413,095
Under capital expenditure	-	176,836
Under contracted services and general expenses	41,557	729,128
<b>Total conditional grants and subsidies paid</b>	<b>13,031,014</b>	<b>8,492,414</b>

#### Other grants and subsidies paid

Sundries	76,799	132,135
Fire services subsidies	4,732,000	2,125,000
Koukamma flood damage interest	-	37,387
Cacadu Development Agency (CDA)	1,000,000	4,000,000
Environmental health subsidies	9,500,000	9,020,003
<b>Total other grants and subsidies paid</b>	<b>15,308,799</b>	<b>15,314,525</b>



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 24. Employee costs

Remuneration of employees	38,544,872	34,842,632
Remuneration of Councillors (Refer Note 25)	6,635,500	6,407,470
<b>Total Employee Costs</b>	<b>45,180,372</b>	<b>41,250,102</b>

The remuneration of employees are determined in accordance with the task grade and the applicable notch allocated to the employees in their positions. The municipality is graded as a Category 5 municipality which effects the remuneration ranges of positions of employees. The municipality operates in accordance with the Collective Agreements entered into between the municipality and Bargaining Council.

Set out below are the details for remuneration paid to Directorate Heads (included in remuneration of employees):

#### Remuneration of Municipal Manager

Annual remuneration	1,115,276	1,042,717
Car allowance	156,000	156,000
Performance bonuses	83,051	66,967
Travel claims	17,576	21,049
	<b>1,371,903</b>	<b>1,286,733</b>

Mr DM Pillay is the Municipal Manager and was re-appointed on 1 January 2012 for a period of 5 years.

#### Remuneration of the Director Finance and Corporate Services

Annual remuneration	607,388	923,675
Car allowance	84,000	144,000
Performance bonuses	52,862	49,729
	<b>744,250</b>	<b>1,117,404</b>

Mr D De Lange was the Director : Finance and Corporate Services re-appointed on 1 January 2012 for a period of 5 years. Mr De Lange however resigned with an effective date of 31 January 2016. The current year remuneration therefore reflects a period of 7 months only.

#### Remuneration of the Director Economic Development

Annual Remuneration	911,274	848,846
Car Allowance	120,000	120,000
Performance Bonuses	67,113	-
	<b>1,098,387</b>	<b>968,846</b>

Mr P Kate is the Director : Economic Development and was appointed on 1 October 2011 for a period of 5 years.

#### Remuneration of the Director Infrastructure Services and Planning

Annual remuneration	985,238	923,726
Car allowance	144,000	144,000
Travel claims	29,300	28,422
	<b>1,158,538</b>	<b>1,096,148</b>

Mr B Makedama is the Director : Infrastructure Services and Planning and was appointed on 1 November 2011 for a period of 5 years.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>25. Remuneration of councillors</b>		
Executive Mayor	823,076	819,596
Speaker	659,864	625,868
Portfolio Councillor: Special Programmes	620,852	588,342
Portfolio Councillor: Economic Development	620,852	592,615
Portfolio Councillor: Finance and Corporate Services	628,260	592,477
Portfolio Councillor: Infrastructure Services and Planning	620,852	588,342
Portfolio Councillor: Tourism	622,689	591,823
Councillors	2,039,055	2,008,407
	<b>6,635,500</b>	<b>6,407,470</b>

### In-kind benefits

The Executive Mayor and the Mayoral committee members are full time Councillors and are provided with offices and secretarial support at the cost of the Council.

The Executive Mayor has the use of a council owned vehicle for official duties.

### **26. Financial instruments - financial assets by category**

Financial Instruments are classified into the following categories:

Financial Assets: Loans and Receivables

Financial Liabilities: At amortised cost

The classification of financial instruments is determined at initial recognition based on the purpose for which the financial assets are acquired or liabilities assumed.

### 2016

	Loans and receivables	Total
Receivables from exchange transactions	621,372	621,372
Receivables from non-exchange transactions	3,353,521	3,353,521
Deposits	852,563	852,563
Short-term investments	135,000,000	135,000,000
Cash and cash equivalents	99,300,736	99,300,736
	<b>239,128,192</b>	<b>239,128,192</b>

### 2015

	Loans and receivables	Total
Receivables from exchange transactions	562,723	562,723
Receivables from non-exchange transactions	794,208	794,208
Deposits	15,410	15,410
Short-term investments	171,000,000	171,000,000
Cash and cash equivalents	85,303,098	85,303,098
	<b>257,675,439</b>	<b>257,675,439</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 27. Financial instruments: financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2016

	Financial liabilities at amortised cost	Non financial liabilities	Total
Post employment medical benefit	-	59,093,676	59,093,676
Long-term portion of infrastructure levies	1,022,570	-	1,022,570
Provisions	-	719,459	719,459
Payables from exchange transactions	25,518,231	-	25,518,231
Short-term portion of the post employment medical benefit	-	3,848,652	3,848,652
	<b>26,540,801</b>	<b>63,661,787</b>	<b>90,202,588</b>

#### 2015

	Financial liabilities at amortised cost	Fair value through surplus or deficit - held for trading	Total
Post employment medical benefit	-	61,490,613	61,490,613
Unspent conditional grants and receipts	9,013,499	-	9,013,499
Long-term portion of infrastructure levies	1,022,570	-	1,022,570
Provisions	-	414,248	414,248
Payables from exchange transactions	28,907,557	-	28,907,557
Short-term portion of unspent conditional grants	-	-	-
Short-term portion of post employment medical benefit	-	3,897,396	3,897,396
	<b>38,943,626</b>	<b>65,802,257</b>	<b>104,745,883</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>28. <u>Restatement of prior year figures</u></b>		
<u>Summary of changes to the surplus opening balance:</u>		
Government grant and subsidies	(4,548,382)	
General expenses - other	136,660	
Employee related costs	4,538,354	
Depreciation adjusted	43,534	
Other income adjusted	56,042	
	<u>226,208</u>	
<u>Summary of changes to the financial position</u>		
VAT receivable	(1,696,487)	
Trade and other receivables from non-exchange transactions	1,252	
Trade and other receivables from exchange transactions	130,703	
Reserves	806,986	
Unspent conditional grants and receipts	6,487	
Payables from exchange transactions	(191,143)	
Property plant and equipment	(3,010,074)	
	<u>(3,952,276)</u>	
<u>Summary of changes to the surplus opening balance 2014:</u>		
Employee costs	(284,863)	
Loss on disposal of assets	(2,170,708)	
General expenses - other	(1,722,913)	
	<u>(4,178,484)</u>	
<u>Details of changes to the surplus opening balance:</u>		
Correction of provincial pension amounts received which was previously accounted for in terms of conditional grant receipts	(4,554,868)	
Conditions of grant was met in the prior year and balance of grant transferred to surplus	6,486	
Reversal of accrual raised for service that was subsequently cancelled	132,000	
Reversal of expenditure previously accrued	4,660	
Reversal of provincial pension amounts paid which was previously accounted for in terms of conditional grant expenditure	4,550,518	
Raise employee costs due to an employee in terms of an amendment to the job grade of an employee	(12,164)	
Reversal of depreciation on properties that were disposed of in prior years	43,534	
Reversal of impairment on properties that were disposed of in prior years	54,789	
Raise revenue not accounted for	1,253	
	<u>226,208</u>	
<u>Details of changes to the surplus opening balance 2014:</u>		
Raise employee costs due to an employee in terms of an amendment to the job grade of an employee	(284,863)	
Raise the disposal of properties in prior years not accounted for	(2,170,708)	
Recongise a creditor of Kouga Development Agency not previously accounted for	(26,426)	
Reversal of VAT incorrectly raised	(1,696,487)	
	<u>(4,178,484)</u>	

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>28. Restatement of prior year figures (continued)</b>		
<u>Details of changes to the financial position:</u>		
Raise revenue not accounted for in receivables		1 252
Raise revenue received on disposal of assets not accounted for in receivables		130 703
Reversal of revaluation reserve upon disposal of assets not accounted for		806 986
Transfer of balance of conditional grant upon conditions being met		6 487
Raise and reversal of expenditure not accounted for		(191 143)
Disposal of land and buildings not previously accounted for		(3 010 074)
		<u>(2 255 789)</u>
	<b>Restated</b>	<b>As previously stated</b>
<u>Revenue</u>	<b>2015</b>	<b>2015</b>
Rental	1 208 685	1 208 685
Investment interest	17 261 678	17 261 678
Income from agency services	41 669	41 669
Other income	351 259	295 217
Government grants and subsidies	89 383 537	93 931 919
Fair value adjustment	365 000	365 000
Reduction in provision for debt impairment	806 679	806 679
	<b>109 418 507</b>	<b>113 910 847</b>
<u>Expenses</u>		
Employee related costs	41 250 102	45 788 456
Actuarial loss on post employment medical benefit	1 261 518	1 261 518
Fines and penalties	782 229	782 229
Depreciation	1 462 117	1 505 651
Repairs and maintenance	474 625	474 625
Bad debts written off	293 303	293 303
Contracted services	3 234 332	3 234 332
Conditional grant expenditure	7 173 355	7 173 355
Other grants and subsidies paid	13 189 525	13 189 525
General expenses - other	41 762 667	41 899 327
Discounting of post retirement benefit obligation	5 590 491	5 590 491
Loss on disposal of property, plant and equipment	583 551	583 551
	<b>117 057 815</b>	<b>121 776 363</b>
<u>Surplus for the year</u>	<b>(7 639 308)</b>	<b>(7 865 516)</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>28. Restatement of prior year figures (continued)</b>		
	Restated 2015	As previously stated 2015
<b>Assets</b>		
Current Assets		
Short term portions of long-term receivables		
Receivables from exchange transactions	562,723	432,020
Receivables from non exchange transactions	794,208	792,956
VAT receivable	1,104,065	2,800,552
Deposits paid	15,410	15,410
Cash and cash equivalents and short-term investments	256,303,098	256,303,098
	<u>258,779,504</u>	<u>260,344,036</u>
Non-current assets		
Property plant and equipment	24,980,718	27,990,792
Long term receivables	182,480	182,480
Investment property	25,962,500	25,962,500
Heritage assets	35,028,000	35,028,000
Intangible assets	86,885	86,885
	<u>86,240,583</u>	<u>89,250,657</u>
<b>Total Assets</b>	<u>345,020,087</u>	<u>349,594,693</u>
<b>Liabilities</b>		
Short-term portion of post employment medical benefit	3,897,396	3,897,396
Payables from exchange transactions	28,907,557	28,716,414
Unspent conditional grants and receipts	9,013,499	9,019,986
Provisions	414,248	414,248
	<u>42,232,700</u>	<u>42,048,044</u>
Non-current liabilities		
Long-term portion of post employment medical benefit	61,490,613	61,490,613
Long-term portion of infrastructure levies	1,022,570	1,022,570
	<u>62,513,183</u>	<u>62,513,183</u>
<b>Total Liabilities</b>	<u>104,745,883</u>	<u>104,561,227</u>
<b>Total assets less liabilities</b>	<u>240,274,204</u>	<u>245,033,466</u>
<b>Reserves</b>		
Accumulated surplus	76,957,915	77,764,901
	<u>163,316,289</u>	<u>167,268,565</u>
<b>Total Net Assets</b>	<u>240,274,204</u>	<u>245,033,466</u>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>29. <u>Cash (used in) generated from operations</u></b>		
Deficit	(4,104,709)	(7,639,308)
<u>Adjustments for:</u>		
Depreciation	1,731,131	1,462,117
Loss on disposal of property, plant and equipment	230,428	583,551
Fair value adjustments	-	(365,000)
Discounting of post employment medical benefit obligation	5,317,885	5,590,491
Impairment	34,614	(128,347)
Contributions to provisions	305,211	(375,057)
Service costs	314,896	528,512
Prior year corrections	-	(180,588)
(Gain) / loss on actuarial valuation for post employment medical benefits	(4,084,028)	1,261,518
<u>Changes in working capital:</u>		
Receivables from exchange transactions	163,348	(532,614)
Receivables from non-exchange transactions	(2,559,313)	(251,774)
Payables from exchange transactions	(3,389,328)	10,387,221
VAT receivable	(692,339)	(105,982)
Unspent conditional grants and receipts	(9,013,499)	(3,842,924)
	<b>(15,745,703)</b>	<b>6,391,816</b>

## 30. Finance Leases Reconciliation

The municipality had no external loans in the form of finance leases during the current year.

## 31. Contingent liabilities

A possible liability exists in respect of a claim from a property owner in St Francis Bay resulting from a fire that broke out during 2013. A summons has been issued for damages to the owner's property, which the municipality is currently defending. The date of trial is set for the 15 November 2016.

A further legal matter arose as a result of the fire that broke out in St Francis Bay during 2013. A summons was received by the municipality whereby the plaintiffs are claiming R6 824 650 for damages against the owners' property. The matter will however proceed based on the outcome of the above matter.

A possible liability exists in respect of a claim made against the municipality by the farm owner, where illegal occupation of farm land occurred by community members of Sundays River Valley Municipality. The matter has been postponed indefinitely.

A possible liability exists in respect of a claim from Koukamma Municipality on fire expenditure incurred in the performance of the district municipality's fire services in accordance with a service level agreement entered into with the local municipality. A summons was received by the municipality, which the municipality is currently defending.

16,376,125	7,524,630
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# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 32. Contingent asset

Defective workmanship	-	2,000,000
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A possible asset exists in respect of a claim in terms of defective workmanship and overpayment for work done in 2003/04 financial year.

Upon the assessment of the case, the attorneys has advised the municipality that the likelihood of success in the case is diminishing as either the key witnesses appears to be reluctant to testify or the witnesses has deceased.

Upon receiving formal communication from the attorney on the above matter, a report will be presented to Council to resolve on the matter.

The contingent asset thus remains until resolved by Council, but with the likelihood of success diminishing, no amount is being disclosed due to the uncertainty thereof and the amount not being probable.

### Value Added Taxation audit

In the prior year, SARS concluded a VAT audit covering the period 2008 to 2013. The audit outcome required the municipality to refund SARS, with an amount of R2.5 million which included an amount of R781 460 for penalties and interest. The municipality believed that the findings raised by SARS was not completely accurate. A contingent asset therefore existed in terms of a refund that the municipality may have received as a result of the outcome of an objection.

Upon investigating the outcome of the SARS audit in the current year, it was established that the municipality's VAT submissions were incorrect and no claim will be lodged against SARS. The matter was concluded with SARS and no contingent asset exists.

### 33. Unauthorised, irregular, fruitless and wasteful expenditure

#### **Unauthorised expenditure**

No unauthorised expenditure was incurred in the current and previous financial years.

#### **Irregular expenditure**

Refer to Note 42

#### **Fruitless and wasteful expenditure**

Refer to Note 48



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 34. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	(559,800)	(500,000)
Council subscription	559,800	531,720
Amount paid - current year	-	(31,720)
Amount paid in advance for the following year	(500,000)	(559,800)
<b>Amount paid in advance (included in receivables)</b>	<b>(500,000)</b>	<b>(559,800)</b>

#### External Audit fees

Prior year audit fee	-	7,781
Current year audit fee	3,760,581	3,127,576
Audit Planning fees for the following year	874,167	1,135,092
Amount paid - current year	(4,634,748)	(4,270,449)
	-	-

#### PAYE, UIF and SDL

Opening balance	288,429	288,429
Current year payroll deductions	8,878,766	8,555,433
Amount paid - current year	(8,926,352)	(8,555,433)
	<b>240,843</b>	<b>288,429</b>

#### Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	4,645,868	3,755,674
Amount paid - current year	(4,645,868)	(3,755,674)
	-	-

#### VAT

VAT receivable	1,796,404	1,104,065
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All VAT returns have been submitted by the due date throughout the year. All returns submitted for the year were VAT input claims and therefore no VAT output payments were made during the year.

### 35. In-kind donations and assistance

No donations have occurred during the current year.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 36. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Stringent cash management procedures are in place. These include cash flow forecasting.

A sensitivity analysis has not been performed and included, as the municipality is not exposed to foreign exchange risk or interest rate risk. The municipality does not enter into any foreign exchange transactions and since the municipality effects payments on presentation of invoices, no interest rate charges are applicable. It would thus be misleading to provide a sensitivity analysis.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At 30 June 2016	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	25,518,231	-	-	-
Other Payables	-	4,568,111	-	-
At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	28,907,557	-	-	-
Other Payables	-	13,325,143	-	-

#### Interest rate risk

The current account and the call account expose the municipality to an interest rate risk on cash flows. Deposits attract interest at a rate that varies according to the prime banking rate.

The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

Should the prime rate vary by 1% in either direction, the effect on the cash balance would be R2 million in either direction.

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The municipality only deposits cash with banks which have an equity above R10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding Department of Housing (Housing Scheme) receivables.

Management believes that the allowance for impairment adequately addresses the credit risk involved.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

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### 37. Events after the reporting date

Management is not aware of any events after the reporting date.

### 38. Compliance with the Municipal Finance Management Act

The municipality has implemented additional controls to ensure compliance with the MFMA. The area of concentration during the current and previous year was the Supply Chain Management policy. The municipality has improved the controls significantly during the current and prior year to ensure compliance with the policy and regulations. The controls have been implemented and are being implemented and monitored.

Management is not aware of any other non-compliance by the municipality that would require disclosure in the financial statements.

### 39. Related parties

#### **Cacadu Development Agency**

The wholly-owned municipal entity, Cacadu Development Agency (CDA) continued its operations in the current year.

The CDA is in its operational phase but it still not fully operational due to the implications that the disestablishment of the Blue Crane Development Agency may have had on the Agency. This has caused a delay in the CDA appointing key personnel required in accordance with the approved organogram of the entity. The municipality has provided the required resources to CDA in this interim period.

The municipality has also provided the CDA with an unconditional grant of R1 000 000 to fund the operations of the Agency for the 2015/16 financial year. The budget was reduced from R4 000 000 in the previous year due to the CDA utilising their surplus to fund their budget.

There were no other transactions between the municipality and CDA.

#### **Post retirement medical aid benefit plan**

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his or her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/ Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R2 362 205 (2015: R2 182 247)

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 39. Related parties (continued)

#### Councillors and employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with the municipality by any organisation or business.

The following interests in institutions have been declared, but no transactions have been entered into:

<u>Employee</u>	<u>Entity Name</u>	<u>Transactions</u>
Mr D De Lange	Humeral Bed and Breakfast CC	None
	Mun Fin Management Services CC	None
Mr B Makedama	Makedama & Associates	None
Mrs M Nohashe	Asesima (Pty) Ltd	None
Mr K Majokweni	Gem Development & Trading Services (Pty) Ltd	None
Mrs T Mafongosi	Endleleni Liquor Stores	None
Mr R Lorgat	RNL Business & Property Consultants	None
	RNL Investments (Pty) Ltd	None
Mr T Mgudlwa	On-board Invest (Pty) Ltd	None
Mr D Mbolekwa	Bravorox	None
Mr L Madlakane	Gxothindlala Construction	None
Mrs N Mlenzana	Pantium Trading	None
Ms X Ben	Sherpa Trade Invest 89 (Pty) Ltd	None
	EzikaHinsta CHD Freight Trucking & Plant Hire	None
	AB 350 (Pty) Ltd	None
Ms Z Sibeko	Kuzi Fishing	None
	EL Olom Trading	None
	Isifingo	None
Mrs G David	Jumpstart CC	None

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 39. Related parties (continued)

#### Councillor

Mr H M Hendricks	Didi's Transport CC	None
Mr V S Stuurman	Manufacturing Processing	None
Mr R M J Gailey	CRH Holdings & Ranger Drops	None
	Melro Farming & Trading	None
	Fair Game Safaris	None
	HPFT Rory Gailey Family Trust	None
	Partnership CRH Holdings	None
Mr S Lucas	Dixy Management Services	None
Ms N Pieters	Liqhayiya Trading	None
	Atmoline (Pty) Ltd	None
Mr P Faxi	NFT t/a Sibanye	None
	NFT & Rubicon Vision	None
Mrs C Reeders	Reeders Family Trust	None
Mr D J Bezuidenout	Sakkies Housing Development CC	None
	Longfield Trust	None
Mrs J C Wells	Wolery CC	None

#### Awards to close family members of persons in the service of the state

The municipality is not aware of any incidents where awards were made to close family members in the service of the state during both the current year and the previous year.

#### Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipality, directly or indirectly, including any director of the municipality: Executive Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager and Directors

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

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### 40. Significant estimates and judgements

The preparation of SBDM's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

##### Receivables from non exchange transactions

Bridging funding for housing projects is judged to be virtually irrecoverable from the Department of Provincial Housing due to problems locating and obtaining "happy letters" from participants in these projects. The amount of R867 900 (2015: R9 231 380) was included in the provision for debt impairment.

##### Property, plant and equipment, investment property and heritage assets

The accounting policies of property, plant and equipment, investment property and heritage assets require that the land and buildings be revalued with sufficient regularity and where the value is expected to differ materially from the previous year.

Based on the previous years' revaluations, the changes in the values of the land and buildings were considered insignificant in relation to the value of the respective land and buildings. There were also no circumstances that indicated that the values of the land and buildings would have changed materially.

The valuation of land and buildings was therefore not considered necessary in the current financial year.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

##### Post employment medical benefit

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2016 is R62 942 328 (2015: R65 388 009). Further details are provided in Note 16.

##### Property, plant and equipment

The estimates and associated assumptions are based on the historical experience and management's estimation of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated useful lives in the prior years, are still appropriate.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand

2016

2015

### **40. Significant estimates and judgements (continued)**

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management's estimation of the condition of the assets. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

### **41. Standards of GRAP issued but not yet effective**

The following standards have been issued but are not yet effective:

GRAP 20:	Related Party Disclosures
GRAP 32:	Service Concession Arrangements - Grantor
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents

#### **GRAP 20: Related Party Disclosures**

The effect on the financial statements of introducing this standard will require the municipality to implement additional procedures to ensure that all the required information is collected in a controlled manner to ensure the completeness of the disclosures required.

#### **GRAP 32: Service Concession Arrangements - Grantor**

The financial statements of the municipality will not be effected by this standard unless the municipality enters into any Service Concession Arrangements, whereby assets of the municipality are used to generate revenue by a 3rd party.

#### **GRAP 108: Statutory Receivables**

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard is already applied or the information readily available.

#### **GRAP 109: Accounting by Principals and Agents**

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard would not be applicable to the municipality unless the municipality enters into a principal-agent agreement.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>42. Irregular expenditure</b>		
Opening balance	1,469,287	6,393,211
Add: Irregular Expenditure - current year	1,305,885	3,108,976
Add: Irregular Expenditure - prior year	218,464	-
Less: Expenditure certified as irrecoverable / written off by Council	(1,023,482)	(8,032,900)
	<b>1,970,154</b>	<b>1,469,287</b>

### Details of irregular expenditure

Traded with suppliers who are in the service of the state	18,656	-
Deviations were not considered valid	1,263,055	262,149
Bid awarded in prior years did not comply with the supply chain management regulations as follows:	242,638	2,663,171
- Bids not advertised for at least 14 or 30 days		
- Bids were not evaluated in accordance with the preferential procurement points system		
- The evidence of specification committees were not available		
- No evidence of required website publication		
2 Formal quotations did not comply with the local production requirements	-	183,656
	<b>1,524,349</b>	<b>3,108,976</b>

On 6 July 2016, the Council condoned / wrote off an amount of R247 355 relating to incidents of irregular expenditure raised in the prior year. Irregular expenditure amounting to R198 450 is under further investigation.

Although there has been contravention of the procurement processes and procedures, goods and services have been received.

### 43. Deviations

The following deviations from the supply chain management policy were approved by the municipal manager during the financial year:

Reason	No. of incidents		
Emergency	2	1,086,572	17,909
Goods or services are produced or available from a single provider	15	720,903	231,415
In any other exceptional case where it is impractical or impossible to follow the official procurement processes	55	9,083,218	6,068,018
		<b>10,890,693</b>	<b>6,317,342</b>

### 44. Change in estimate

#### Property, plant and equipment

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in certain computer equipment, office equipment and furniture and fittings' remaining useful lives being adjusted based on the condition of the assets. The residual values of the assets have also been reassessed and adjusted where necessary. The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R - for the current period (2015: R 4 383). The effect on future periods could not reasonably be determined.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 45. Commitments

#### Capital expenditure

- Approved and contracted for	7,936,287	6,333,050
- Approved by Council, but not yet contracted to / awarded	-	-
	<u>7,936,287</u>	<u>6,333,050</u>

This committed expenditure relates to plant and equipment and will be financed by conditional grants and retained surpluses.

#### *Restatement*

In the prior year, an amount of R18 816 647 was disclosed as Approved and contracted for and an amount of R10 974 018 was disclosed as Approved by Council, but not yet contracted to / awarded. The error was due to the incorrect interpretation of the required disclosure. The prior year has therefore been restated.

#### Non-capital expenditure

- Approved and contracted for	6,591,505	8,169,352
- Approved by Council, but not yet contracted to	-	-
	<u>6,591,505</u>	<u>8,169,352</u>

This non-committed expenditure relates to other commitments and will be financed by conditional grants and retained surpluses.

#### *Restatement*

In the prior year, an amount of R7 241 994 was disclosed as Approved and contracted for and an amount of R8 025 238 was disclosed as Approved by Council, but not yet contracted to / awarded. The error was due to the incorrect interpretation of the required disclosure. The prior year has therefore been restated.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
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### 46. Budget differences

#### Material differences between budget and actual amounts

##### **Investment revenue**

The excess of actual investment revenue over the final budget is 15%, which was due to the increase in the interest rates received on investments during the year, from an estimated average of 6% per annum to rates exceeding 7.5%.

##### **Other own revenue**

Based on the principles of budgeting, this area is utilised to fund the budget of the municipality and therefore the budgeted amount is high. The amount reflected in the financial statements is however only the actual other revenue received during the year. The variance therefore relates to the portion utilised to balance the revenue budget from accumulated surplus.

##### **Employee costs**

The variance of 17% was attributable to vacancies as well as savings in various other employee related costs.

##### **Transfers and grants**

The variance of 11% is a result of a grant that was planned to be received and spent during the year. The grant was however not received. Also, the expenditure reflected in the Statement of Financial Performance is exclusive of value added taxation with the budget reflecting the total expenditure amount inclusive of value added taxation.

##### **Other expenditure**

The variance of 33% is mainly due to under-expenditure on own-funded projects. Other factors that contributed to the variance are cost-savings on operational activities, as well as instances of over-estimation of budgets on projects.

##### **Capital expenditure**

The variance of 76% is mainly due to an amount of R4 000 000 budgeted for improvements to the municipality's office building. The planned activities were awarded during the year but no expenditure was incurred at year end.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2016

## Notes to the Financial Statements

Figures in Rand	2016	2015
<b>47. General expenses</b>		
Advertising and promotions	754,206	597,701
Auditors fees	4,213,555	3,861,385
Catering	717,019	472,322
Congress and visits	1,827,514	2,155,278
General - other	1,194,387	1,095,224
Insurance	346,002	339,118
Legal expenses	644,093	586,108
Licences	200,444	85,079
Fuel and oil	981,742	812,521
Printing and stationery	1,291,169	1,193,129
Publications	1,268,367	1,135,899
Project costs	31,175,229	23,797,289
Subscriptions	638,841	605,281
Telephone and fax	911,287	1,021,708
Training and development	790,281	952,632
Utilities	1,045,906	926,993
	<b>48,000,042</b>	<b>39,637,667</b>

## 48. Fruitless and wasteful expenditure

Opening balance	782,128	-
Current year	296,812	782,229
Less: Expenditure certified as irrecoverable / written off by Council	(782,128)	(101)
	<b>296,812</b>	<b>782,128</b>

Details of fruitless and wasteful expenditure:

### Current year

An amount of R433 of interest was incurred on late payment of tuition fees to Nelson Mandela Metropolitan University. This amount is reflected under fines and penalties.

An amount of R296 379 was paid as project expenditure during the year. An internal investigation revealed that the internal controls were adequate. However, the documentation provided to change the bank details of the company were fraudulent which resulted in the amount being paid into an incorrect bank account. The fraud matter was reported to the Commercial Crimes Unit and is currently under investigation. This amount is included under project costs.

### Prior year

An amount of R101 of interest was incurred on late payment of the telephone account to Telkom.

An amount of R668 of interest was incurred on late payment of the municipal account to Nelson Mandela Bay Municipality. A request was made to have the interest reversed.

An amount of R781 460 of penalties and interest was paid to the South African Revenue Services on the over-estimation of VAT Input claimed during the 2008 and 2013 financial years in accordance with a SARS audit conducted.

The above expenditure is reflected under fines and penalties.

**SARAH BAARTMAN DISTRICT MUNICIPALITY**  
Financial Statements for the year ended 30 June 2016

**Notes to the Financial Statements**

Figures in Rand

**49. Conditional grants and receipts**

	UNSPENT BALANCE 30 JUNE 2015 RAND	CONTRIBUTIONS/ ADJUSTMENTS RAND	INTEREST ALLOCATED RAND	VALUE ADDED TAXATION RAND	CURRENT YEAR RECEIPTS RAND	TRANSFER TO REVENUE RAND	CAPITAL EXPENDITURE RAND	UNSPENT BALANCE 30 JUNE 2016 RAND
DROUGHT RELIEF 2010/2011	50 212	-	-	-	-	(50 212)	-	-
FINANCE MANAGEMENT GRANT	-	-	-	(88 033)	1 250 000	(1 161 967)	-	-
HOUSING PROJECTS	842 067	-842 067	-	-	-	-	-	-
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	-	-	-	(49 123)	940 000	(890 877)	-	-
PASSENGER TRANSPORT PLANS AND FACILITIES:	599 808	-	-	(73 661)	-	(526 147)	-	-
PEOPLE HOUSING PROJECT	7 521 412	-7 521 412	-	-	-	-	-	-
RURAL ROADS ASSET MANAGEMENT GRANT	-	-	-	(270 175)	2 200 000	(1 929 825)	-	-
EXPANDED PUBLIC WORKS PROGRAMME	-	-	-	(139 140)	1 133 000	(993 860)	-	-
INTERCITY BUS TERMINUS	-	-	-	(982 456)	8 000 000	(7 017 544)	-	-
AMALGAMATION GRANT	-	-	-	(39 418)	500 000	(460 582)	-	-
	9 013 499	-8 363 479	-	(1 642 006)	14 023 000	(13 031 014)	-	-

**SARAH BAARTMAN DISTRICT MUNICIPALITY**  
Financial Statements for the year ended 30 June 2016

Notes to the Financial Statements  
Figures in Rand

**50. DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grant	Name of Organ of state	2015/2016						2015/2016						Reason for delay/ withholding funds Y/N	Reason for non Compliance	
		Quarterly Receipts			Quarterly Expenditure			Subsidies Delayed / Withheld			June	June	June			
		Sept	Dec	Mar	Sept	Dec	Mar	Dec	Mar	Rand						Rand
		Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand			
DROUGHT RELIEF 2010/2011	Provincial Government	-	-	-	-	-	-	50,212	-	-	-	-	-	N/A	YES	N/A
FINANCE MANAGEMENT GRANT	National Government	1,250,000	-	-	-	312,142	-	640,671	124,187	-	-	173,000	-	N/A	YES	N/A
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	National Government	940,000	-	-	-	390,838	-	382,103	147,762	-	-	19,297	-	N/A	YES	N/A
PASSENGER TRANSPORT PLANS AND FACILITIES	Provincial Government	-	-	-	-	599,808	-	-	-	-	-	-	-	N/A	YES	N/A
RURAL ROADS ASSET MANAGEMENT GRANT	National Government	2,200,000	-	-	-	717,252	-	530,027	414,441	-	-	538,280	-	N/A	YES	N/A
EXPANDED PUBLIC WORKS PROGRAMME	National Government	453,000	-	340,000	-	-	340,000	742,200	199,240	-	-	191,560	-	N/A	YES	N/A
INTERCITY BUS TERMINUS	Provincial Government	-	-	8,000,000	-	-	-	-	4,368,811	-	-	3,631,189	-	N/A	YES	N/A
AMALGAMATION GRANT	Provincial Government	-	-	500,000	-	-	-	-	-	-	-	500,000	-	N/A	YES	N/A
		4,843,000	-	8,840,000	340,000	2,020,040	2,345,213	5,254,441	5,053,326	-	-					

# SARAH BAARTMAN DISTRICT MUNICIPALITY

## UNAUDITED APPENDIX A

June 2016

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2016

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Revaluations Rand	Additions Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Depr on Dispal Rand	Impairment Rand	Closing Balance Rand	Carrying Value Rand
<b>Land</b>											
Investment Property	19,355,500	-	-	-	19,355,500	-	-	-	-	-	19,355,500
PPE	4,218,426	-	-	-	4,218,426	200,000	-	-	-	200,000	4,018,426
Heritage	33,568,000	-	-	-	33,568,000	1,607,000	-	-	-	1,607,000	31,961,000
<b>Buildings</b>											
Investment Property	6,607,000	-	-	-	6,607,000	-	-	-	-	-	6,607,000
PPE	13,215,274	-	78,704	-	13,293,977	3,371,774	220,039	-	-	3,591,813	9,702,165
Heritage	3,100,500	-	-	-	3,100,500	33,500	-	-	-	33,500	3,067,000
<b>Furniture and Fixtures</b>											
PPE	2,298,474	-	155,858	36,674	2,417,658	1,009,892	130,540	26,790	6,899	1,120,541	1,297,117
<b>Specialised Vehicles</b>											
PPE	275,159	-	-	-	275,159	187,884	4,897	-	-	192,781	82,378
<b>Office Equipment</b>											
PPE	2,396,025	-	122,869	17,188	2,501,706	663,398	185,932	13,581	17,589	853,339	1,648,367
<b>Computer Equipment</b>											
Intangible Asset	86,885	-	-	-	86,885	-	-	-	-	-	86,885
PPE	4,171,578	-	166,191	420,677	3,917,093	2,286,435	452,673	348,812	10,125	2,400,422	1,516,671
<b>Bins and Containers</b>											
PPE	98,988	-	-	-	98,988	40,326	7,936	-	-	48,262	50,726
<b>Motor Vehicles</b>											
PPE	8,459,721	-	879,677	424,179	8,915,219	3,322,463	645,411	73,997	-	3,893,877	5,021,342
<b>Specialised Plant and Machinery</b>											
PPE	2,111,198	-	-	54,424	2,056,774	1,181,953	83,704	54,212	-	1,211,446	845,328
	99,962,728	-	1,403,299	953,142	100,412,885	13,904,625	1,731,131	517,391	34,614	15,152,979	85,259,906

# SARAH BAARTMAN DISTRICT MUNICIPALITY

## UNAUDITED APPENDIX A

June 2016

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2016

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Revaluations Rand	Additions Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Depr on Disposal Rand	Impairment Rand	Closing Balance Rand	Carrying Value Rand
Land	57,141,926	-	-	-	57,141,926	1,807,000	-	-	-	1,807,000	55,334,926
Buildings	22,922,774	-	78,704	-	23,001,477	3,405,274	220,039	-	-	3,625,313	19,376,165
Furniture and fittings	2,298,474	-	155,858	36,674	2,417,658	1,009,892	130,540	26,790	6,899	1,120,541	1,297,117
Specialised vehicles	275,159	-	-	-	275,159	187,884	4,897	-	-	192,781	82,378
Office equipment	2,396,025	-	122,869	17,188	2,501,706	663,398	185,932	13,581	17,589	853,339	1,648,367
Computer equipment	4,258,463	-	166,191	420,677	4,003,978	2,286,435	452,673	348,812	10,125	2,400,422	1,603,556
Bins and containers	98,988	-	-	-	98,988	40,326	7,936	-	-	48,262	50,726
Motor vehicles	8,459,721	-	879,677	424,179	8,915,219	3,322,463	645,411	73,997	-	3,893,877	5,021,342
Specialised Plant and machinery	2,111,198	-	-	54,424	2,056,774	1,181,953	83,704	54,212	-	1,211,446	845,328
<b>Total</b>	<b>99,962,728</b>	<b>-</b>	<b>1,403,299</b>	<b>953,142</b>	<b>100,412,855</b>	<b>13,904,625</b>	<b>1,731,131</b>	<b>517,391</b>	<b>34,614</b>	<b>15,152,979</b>	<b>85,259,906</b>

## June 2016

### Accumulated Depreciation

Total



**SARAH BAARTMAN DISTRICT MUNICIPALITY**  
**UNAUDITED APPENDIX C**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2016**

	2015		2016		
	Actual	Actual	Actual	Actual	Surplus/
	Income	Expenditure	Income	Expenditure	(Deficit)
	Rand	Rand	Rand	Rand	Rand
Executive and Council	7,864,874	39,125,194	8,765,055	29,569,595	(20,804,540)
Finance and Administration	95,379,649	28,095,088	104,528,860	32,794,054	71,734,806
Planning and Development	1,163,048	14,359,100	4,993,860	15,612,009	(10,618,149)
Health	-	11,003,590	-	12,019,560	(12,019,560)
Community and Social services	492,982	3,440,607	-	2,115,609	(2,115,609)
Housing	-	421,980	-	433,226	(433,226)
Public safety	877,193	13,447,588	-	26,236,504	(26,236,504)
Sport and Recreation	-	299,825	-	59,252	(59,252)
Road Transport	2,887,559	3,248,959	9,473,516	11,910,717	(2,437,201)
Water	649,865	3,597,209	50,212	1,165,686	(1,115,474)
Electricity	103,336	18,676	-	-	-
<b>Total</b>	<b>109,418,507</b>	<b>117,057,815</b>	<b>127,811,503</b>	<b>131,916,212</b>	<b>(4,104,709)</b>

**SARAH BAARTMAN DISTRICT MUNICIPALITY**  
**UNAUDITED APPENDIX D**

**INVESTMENT PORTFOLIO AS AT 30 JUNE 2016**

FINANCIAL INSTITUTION	ACCOUNT NUMBER	PERIOD MNTHS	% INT RATE	DATE INVESTED	DATE MATURING	INVEST/MATURE 2015/2016	BALANCE 30 JUNE 2016
STANDARD BANK	088430537181	10	7.087%	01-Oct-14	01-Aug-15	5 000 000	
FNB	74450730731	6	6.630%	18-Feb-15	18-Aug-15	6 000 000	
ABSA GROUP	2075494586	12	7.050%	26-Aug-14	25-Aug-15	16 000 000	
NEDBANK	7881501480000138	10	6.870%	12-Nov-14	14-Sep-15	5 000 000	
ABSA GROUP	2074677085	12	7.130%	01-Oct-14	30-Sep-15	17 000 000	
STANDARD BANK	088430537180	12	7.278%	01-Oct-14	30-Sep-15	5 000 000	
FNB	74443041442	10	6.950%	15-Dec-14	15-Oct-15	15 000 000	
STANDARD BANK	088430537182	12	7.138%	12-Nov-14	11-Nov-15	6 000 000	
NEDBANK	7881501480000137	12	7.020%	12-Nov-14	11-Nov-15	10 000 000	
ABSA GROUP	2074831706	12	7.200%	15-Dec-14	14-Dec-15	8 000 000	
STANDARD BANK	088430537183	12	7.020%	15-Dec-14	14-Dec-15	5 000 000	
NEDBANK	7881501480000139	12	6.950%	15-Dec-14	14-Dec-15	8 000 000	
INVESTEC	MM14121574134	12	7.070%	15-Dec-14	14-Dec-15	4 000 000	
INVESTEC	MM14121574134	12	7.070%	15-Dec-14	14-Dec-15	4 000 000	
ABSA GROUP	2075104817	10	6.900%	10-Apr-15	10-Feb-16	3 000 000	
INVESTEC	MM15041082132	10	7.000%	10-Apr-15	10-Feb-16	3 000 000	
INVESTEC	RK15021878318	12	7.050%	18-Feb-15	17-Feb-16	10 000 000	
FNB	74371532993	8	6.830%	26-Jun-15	25-Feb-16	2 000 000	
ABSA GROUP	2075290480	8	6.800%	26-Jun-15	26-Feb-16	3 000 000	
ABSA GROUP	2075067748	12	7.330%	25-Mar-15	23-Mar-16	11 000 000	
FNB	74446073187	12	6.950%	25-Mar-15	23-Mar-16	2 000 000	
STANDARD BANK	088430537184	12	6.996%	25-Mar-15	23-Mar-16	3 000 000	
NEDBANK	7881501480000140	12	7.090%	25-Mar-15	23-Mar-16	17 000 000	
INVESTEC	RK15032580969	12	7.100%	25-Mar-15	23-Mar-16	4 000 000	
FNB	74466179121	12	7.089%	10-Apr-15	08-Apr-16	15 000 000	
STANDARD BANK	088430537185	12	7.324%	10-Apr-15	08-Apr-16	3 000 000	
NEDBANK	7881501480000141	12	7.050%	10-Apr-15	08-Apr-16	10 000 000	
STANDARD BANK	088430537186	12	7.488%	12-May-15	10-May-16	14 000 000	
NEDBANK	7881501480000143	9	7.000%	25-Aug-15	25-May-16	2 000 000	
FNB	74450730731	9	7.150%	25-Aug-15	25-May-16	8 000 000	
STANDARD BANK	088430537188	10	7.273%	29-Jul-15	29-May-16	9 000 000	
ABSA GROUP	2075437763	10	7.060%	25-Aug-15	24-Jun-16	3 000 000	
STANDARD BANK	088430537187	12	7.372%	26-Jun-15	24-Jun-16	15 000 000	
STANDARD BANK	088430537189	10	7.415%	25-Aug-15	25-Jun-16	7 000 000	
STANDARD BANK	088430537191	3	7.478%	29-Mar-16	29-Jun-16	11 000 000	
ABSA GROUP	2075372721	12	7.620%	29-Jul-15	27-Jul-16		15 000 000
FNB	74550449331	12	7.300%	29-Jul-15	27-Jul-16		4 000 000
NEDBANK	7881501480000142	12	7.300%	29-Jul-15	27-Jul-16		7 000 000
ABSA GROUP	2075530129	11	7.160%	02-Oct-15	02-Sep-16		16 000 000
ABSA GROUP	2075530111	12	7.230%	02-Oct-15	30-Sep-16		10 000 000
STANDARD BANK	088430537190	10	7.486%	30-Nov-15	30-Sep-16		3 000 000
NEDBANK	7881501480000144	12	7.300%	02-Oct-15	30-Sep-16		2 000 000
NEDBANK	7881501480000145	10	7.350%	30-Nov-15	30-Sep-16		6 000 000
<b>CASH AND CASH EQUIVALENTS</b>							<b>63 000 000</b>

FINANCIAL INSTITUTION	ACCOUNT NUMBER	PERIOD MNTHS	% INT RATE	DATE INVESTED	DATE MATURING	INVEST/MATURE 2015/2016	BALANCE 30 JUNE 2016
STANDARD BANK	088430537181	10	7.087%	01-Oct-14	01-Aug-15	5 000 000	
FNB	74575507924	11	7.800%	02-Dec-15	02-Nov-16		14 000 000
FNB	74575507312	12	7.900%	02-Dec-15	30-Nov-16		10 000 000
NEDBANK	7881501480000146	9	7.930%	29-Mar-16	29-Dec-16		28 000 000
STANDARD BANK	088430537192	8	8.271%	08-Jun-16	08-Feb-17		14 000 000
NEDBANK	7881501480000147	8	8.020%	08-Jun-16	08-Feb-17		4 000 000
FNB	74446073187	11	8.511%	29-Mar-16	28-Feb-17		7 000 000
ABSA GROUP	2075926413	12	8.500%	29-Mar-16	28-Mar-17		26 000 000
INVESTEC	QMJ2565	12	8.550%	29-Mar-16	28-Mar-17		22 000 000
FNB	74466179121	11	8.250%	08-Jun-16	09-May-17		10 000 000
<b>SHORT TERM INVESTMENTS</b>							<b>135 000 000</b>
<b>BALANCE 30 JUNE 2016</b>							<b>198 000 000</b>